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Business Investment and Sales Programs for 1970

Businessmen are scheduling a substantial increase in expenditures for new plant and equipment in 1970—up 10½ percent from 1969. Accompanying these expanded programs are expectations of sizable sales increases from 1969 to 1970. All major industry groups expect higher capital spending in 1970. Overall spending is expected to rise throughout the year, with some acceleration in the second half.

BUSINESSMEN'S 1970 capital budgets provide for continuing increases in expenditures for new plant and equipment throughout the year. Current expectations call for aggregate outlays of $83.6 billion—$8 billion, or 10½ percent, more than in 1969.[1] The expected increase is 1 percentage point less than the actual increase in 1969. Almost every industry has expectations of higher expenditures in 1970, according to the results of the regular survey of business spending intentions conducted in late January and February by the Office of Business Economics and the Securities and Exchange Commission.

Expenditures in the final quarter of 1969 were at a seasonally adjusted annual rate of $77.8 billion, matching the record third quarter. Expenditures are expected to rise to $80 billion in the current quarter, to $81.8 billion in the second quarter, and at an accelerated rate to $86.1 billion in the second half of 1970. Most industries expect increases in capital outlays throughout the year; exceptions are steel, motor vehicles, and rubber, where spending schedules are somewhat lower in the second half than in the first.

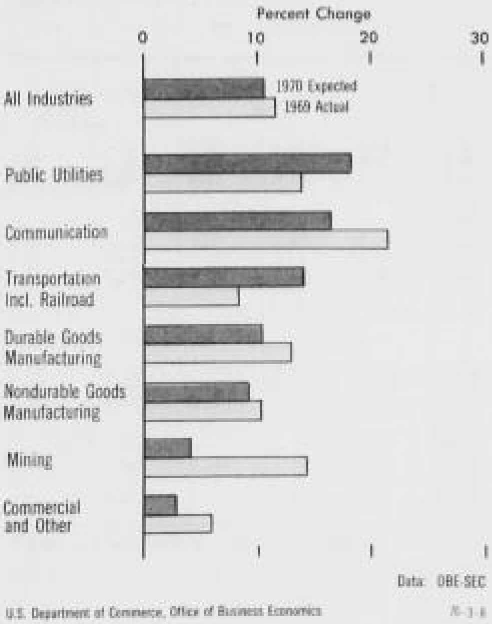
Business expectations of further sales improvements this year accompany these enlarged capital spending programs. In manufacturing, durable goods companies are looking to a sales advance of 7 percent from 1969 to 1970, nondurable goods companies to a 6 percent increase. Retailers and wholesalers are expecting sales to rise about 7 percent this year and public utilities, 8 percent. Except for retail trade, the sales increases projected for 1970 are smaller than the actual increases in 1969.

Downward revisions in investment

Actual expenditures in the fourth quarter of 1969 were $1.2 billion lower, at a seasonally adjusted annual rate, than the expectation for that quarter as reported in last November's survey. The reduction centered in manufacturing, especially in the durables group; outlays by nonmanufacturing firms were in line with expectations. Expectations for the first two quarters of this year have been reduced by similar amounts, but the lowering of plans for

CHART 8

Changes in Business Investment, 1969 and 1970



1. The reported figures for expectations have been adjusted for systematic biases in survey responses. The adjustment procedures are described in articles in the February issue of the SURVEY. Before adjustment, expenditures were expected to be $79.9 billion for all industries, $34.2 billion for manufacturing and $45.7 billion for nonmanufacturing. The adjustments were applied separately to each major industry; the net effect was to raise the manufacturing total by $0.6 billion and nonmanufacturing by $3.1 billion.

NOTE.—The estimates of expenditures for new plant and equipment in this article reflect the recently completed revision of the series covering the entire postwar period. The complete historical series of expected and actual expenditures, together with descriptions of the methods used in the revision, were published in articles in the January and February issues of the SURVEY.

Table 1.—Plant and Equipment Expenditures, Annual Percent Changes 1966–70

	Actual				Expected 1970
	1966	1967	1968	1969	
All industries [1]	**16.7**	**3.1**	**3.5**	**11.5**	**10.6**
Manufacturing [1]	**20.3**	**1.1**	**-.5**	**11.7**	**9.9**
Durable goods [1]	22.2	.1	.4	13.0	10.3
Primary metals	16.9	9.0	3.6	-3.8	9.4
Electrical machinery	44.0	5.0	4.5	14.4	13.1
Machinery except electric	24.4	2.4	-3.5	21.1	18.3
Transportation equipment	16.3	-8.0	-8.8	11.5	-7.5
Stone, clay, and glass	26.5	-16.7	-10.7	24.0	13.7
Nondurable goods [1]	18.5	2.2	-1.4	10.3	9.4
Food including beverage	14.6	-.6	5.9	17.5	11.5
Textile	24.6	-17.6	-21.5	18.0	6.3
Paper	17.4	9.2	-15.4	19.9	4.5
Chemical	19.6	-6.1	-7.6	9.4	20.1
Petroleum	16.8	8.0	3.2	7.3	6.1
Rubber	15.5	4.2	46.3	11.2	-8.8
Nonmanufacturing	**14.0**	**4.7**	**6.6**	**11.4**	**11.1**
Mining	11.0	2.0	-1.4	14.2	4.1
Railroad	19.1	-21.7	-22.0	28.5	26.7
Air transportation	42.7	31.4	12.0	-2.1	15.8
Other transportation	-2.6	-10.0	7.4	6.2	-2.4
Public utilities	21.2	17.7	16.6	13.9	18.3
Communication	13.6	5.3	7.6	21.6	16.6
Commercial and other	9.8	.8	3.7	6.0	2.9

1. Includes industries not shown separately.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

the first half of 1970 occurred primarily in nonmanufacturing programs; in manufacturing, a moderate reduction in expectations of nondurable goods companies was offset by increases for durable goods companies.

The latest survey also indicates a reduction in investment plans for the full year 1970 from those reported in a canvass taken in late November-early December 1969 by the Office of Business Economics and the Securities and Exchange Commission. As reported by respondents to the surveys, programs are about $1 billion lower than in the late fall. It is not possible at the present time to make an adequate correction for systematic biases in responses to the late fall survey. As indicated in the January 1970 issue of the *Survey*, the fall surveys have been conducted only since 1966, providing only limited experience with which to access the nature of these biases. In contrast, the corrections for systematic biases in the regular survey conducted in late January and February are made on the basis of many years of experience. Accordingly, the 9½ percent increase for 1970 reported in the preliminary survey should not be directly compared with the 10½ percent now obtained.

Investment demand continues high

The latest OBE–SEC survey findings add weight to the evidence of a continuing strong desire on the part of businessmen to acquire new equipment and other productive facilities. A major motivation is to prepare for envisioned strong markets of the 1970's by both enlarging capacity and increasing its efficiency. Nonetheless, many of the important factors influencing near-term investment decisions are becoming increasingly less favorable. The current slowing in industrial activity, low rates of capacity utilization, reductions in sales and profits, and stringent conditions in the capital markets raise doubts that present 1970 programs will be fully carried out. However, the strength this winter in contracts and orders for plant and equipment, which ordinarily lead plant and equipment expenditures by about two to three quarters, lends support to the projected spending rise at least for the first half of 1970.

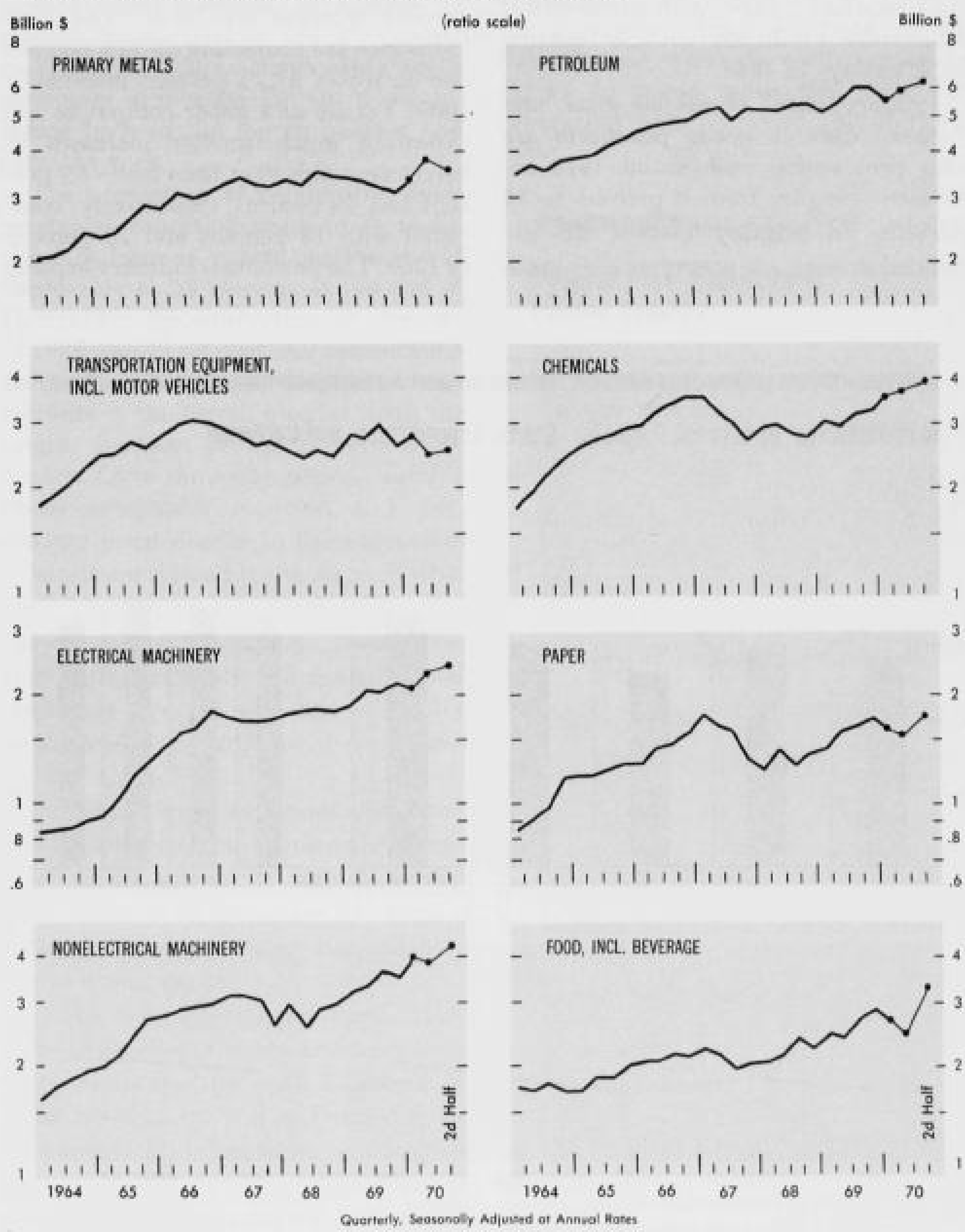
Realization of 1969 programs

In the successive quarterly surveys during 1969 businessmen generally reported that they had spent less than they had previously planned, and had lowered their sights for the coming quarters. The end result for the year was an 11½ percent rise in outlays over 1968, in contrast with the 14½ percent rise planned early last year. In 1968 as well, actual outlays were smaller than the programs scheduled early in the year.

Most major industry groups spent less in 1969 than initially planned. The largest percentage cutbacks occurred in aircraft, nonferrous metals, and textile manufacturing. Contrary to the general pattern, however, actual expenditures last year by machinery manufacturers and by communications and mining firms exceeded their early expectations.

CHART 9

Manufacturers' Expenditures for New Plant and Equipment



Quarterly, Seasonally Adjusted at Annual Rates

* Expected

U.S. Department of Commerce, Office of Business Economics

Data: OBE-SEC

Manufacturing Investment Programs

Manufacturers are planning to spend \$34.8 billion in 1970—a rise of almost 10 percent from 1969. The expected increases are 10 percent for durable goods companies and 9 percent for nondurables.

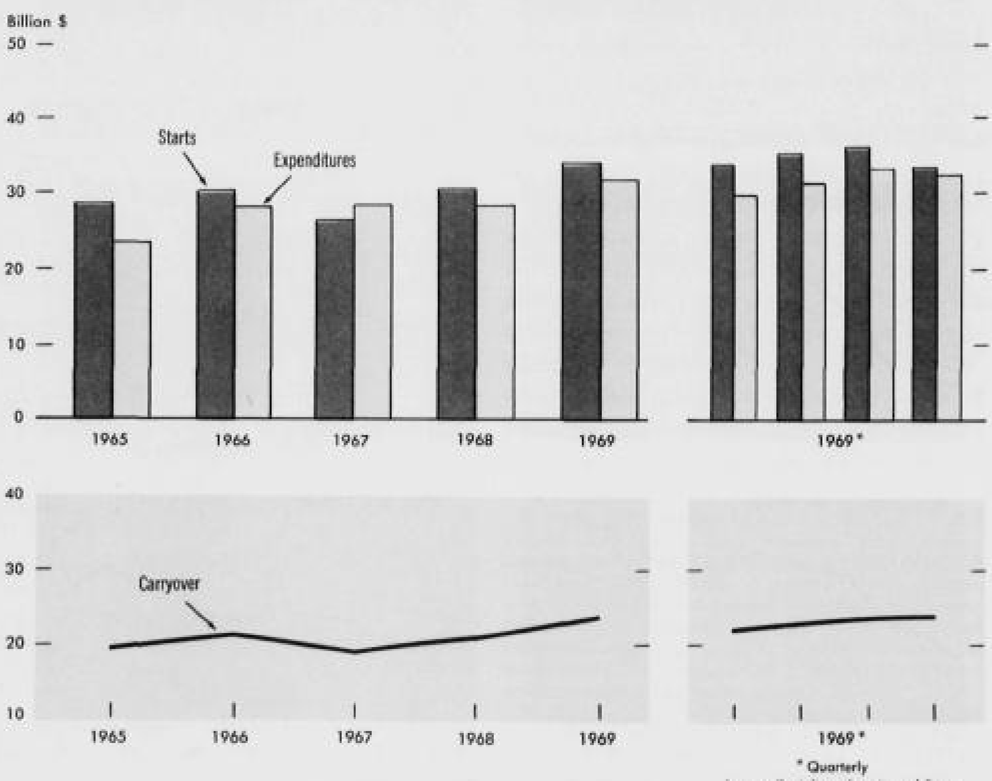
Among the durable goods industries, electrical and nonelectrical machinery producers continue with large programs in 1970. They project advances of 13 percent and 18 percent, respectively, compared with 14 percent and 21 percent in 1969. Both industries had shown little expansion in captial spending in the preceding 2 years, with nonelectrical machinery producers actually cutting back outlays in 1968.

Primary metal, stone-clay-glass, and "other" durable goods producers are also programing susbtantial 1970 increases—ranging from 9 percent to 15 percent. In primary metals, the expanded investment programs are attributable to nonferrous metals companies; iron and steel producers, who reduced spending last year, are planning no change this year. Both aircraft and motor vehicle producers are now programing cutbacks in expenditures for new plant and equipment this year. Aircraft companies also reduced spending last year, but the 6 percent reduction expected by motor vehicle producers follows a sharp 21 percent increase in 1969.

Among the nondurables, the chemical industry is scheduling a 20 percent rise in capital outlays this year. These firms had reduced their expenditures in both 1967 and 1968, and reported a 9½ percent increase last year. The food industries are projecting an 11½ percent rise on top of a 17½ percent increase in 1969. Textile and paper companies are expecting much smaller increases in investment this year than last—6½ percent and 4½ percent, respectively, compared with 18 percent and 20 percent in 1969. The petroleum industry expects a 6 percent increase, a bit smaller than last year's. Rubber is the only nondurable goods industry planning to reduce outlays this year.

CHART 10

Manufacturers' Investment Projects: Starts, Expenditures, and Carryover



* Quarterly
Seasonally Adjusted at Annual Rates

Note.—Carryover as of end of period.

Data: OBE-SEC

U.S. Department of Commerce, Office of Business Economics

70-3-10

Starts of projects decline

The value of investment projects started by manufacturers declined in the fourth quarter of 1969, after three quarters of increase. Starts in the fourth quarter amounted to \$8⅗ billion, seasonally adjusted, 9 percent below the third quarter but well above a year earlier. For 1969 as a whole, starts amounted to \$34.1 billion, or \$4.4 billion more than in 1968.

The fourth quarter decline in starts was entirely in the durable goods group where the decline amounted to 18 percent. Very sharp decreases were reported by primary metal, electrical machinery, and transportation equipment producers but all durable groups participated in the cutback. Total projects started by durables producers came to \$16.8 billion in 1969 compared with \$14.6 billion in 1968. Starts by nondurables producers expanded throughout last year and totaled \$17.2 billion, up from \$15.1 billion in 1968.

Carryover of manufacturers' investment projects, i.e., expenditures still to be incurred on projects already underway, totaled \$23.7 billion at the end of December, \$250 million more than at the end of September and \$3.1 billion more than a year earlier.[2] Carryover has been rising since the beginning of 1968. The ratio of end-of-quarter carryover at the end of the quarter to expenditures in the quarter rose slightly throughout 1969 to reach 2.9 at yearend. Carryover at yearend was equivalent to 68 percent of projected expenditures for the year 1970, up from a figure of 62 percent at the end of 1968.

Durable goods manufacturers reported a decline in carryover in the fourth quarter following seven quarters of rise. Their yearend carryover of \$12.7

2. There were computational errors in the figures for manufacturers' starts and carryover published in tables 4 and 5 (pages 34 and 35) of the article in the January SURVEY reporting revisions in these data. The errors were in the estimates for the stone-clay-glass industry from the fourth quarter of 1968 forward. The errors also occurred in the totals for durable goods and for all manufacturers. Corrected figures are shown in table 4 of this article.

Table 2.—Business Sales, Annual Percent Changes 1969 and 1970

	1969		1970
	Expected	Actual	Expected
Manufacturing industries [1]	7.9	8.5	6.4
Durable goods [1]	7.8	9.9	6.7
Primary metals	9.2	13.2	4.6
Electrical machinery	10.3	7.1	8.3
Machinery except electrical	9.5	11.2	9.8
Transportation equipment	2.3	8.7	3.7
Stone, clay and glass	6.0	9.3	5.2
Nondurable goods [1]	8.2	7.0	6.0
Food including beverage	7.8	7.3	4.1
Textile	6.4	−0.9	4.4
Paper	14.4	11.3	7.6
Chemical	6.9	4.8	8.0
Petroleum	7.5	10.3	6.2
Rubber	8.5	16.0	7.6
Trade	8.0	5.2	6.8
Wholesale	6.3	7.6	4.7
Retail	9.0	3.6	8.2
Public utilities	7.3	8.0	7.7

1 Includes industries not whown separately.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

Table 3.—Petroleum Industry Expenditures for New Plant and Equipment by Function, Actual and Expected 1960–70

[Billions of dollars]

	Production	Transportation	Refining	Marketing	Other	Total
	Actual					
1960	1.64	.15	.55	.46	.09	2.89
1961	1.71	.14	.54	.51	.10	3.00
1962	1.84	.12	.48	.55	.13	3.12
1963	1.95	.11	.37	.59	.13	3.15
1964	2.10	.18	.49	.68	.15	3.59
1965	2.03	.17	.87	.73	.22	4.03
1966	2.24	.19	1.09	.79	.40	4.70
1967	2.23	.28	1.34	.88	.35	5.08
1968	2.38	.28	1.20	.81	.58	5.25
1969	2.63	.28	1.31	.94	.46	5.63
	Expected [1]					
1960	1.79	.15	.62	.47	.08	3.12
1961	1.63	.13	.63	.50	.10	2.98
1962	1.73	.12	.46	.52	.12	2.95
1963	1.87	.11	.38	.53	.13	3.02
1964	2.02	.23	.60	.57	.13	3.56
1965	2.05	.15	.84	.75	.24	4.02
1966	2.19	.18	1.05	.86	.32	4.60
1967	2.27	.24	.94	92	.40	4.77
1968	2.47	.33	1.22	.92	.43	5.37
1969	2.51	.31	1.24	.91	.83	5.80
1970	2.64	.46	1.27	.95	.65	5.97

1. The reported figures for expectations are adjusted for systematic biases; adjustments are applied separately to expenditures for each function. Before adjustment, total expenditures for 1970 were expected to be $6.21 billion; the net effect of the adjustment for this year was to lower the total by $.24 billion.

NOTE.—Details may not add to totals because of rounding.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

billion was 72 percent of the expenditures expected to be made in 1970. The continuing rise in carryover of nondurable goods companies brought the yearend level to $11.1 billion, or 64 percent of their 1970 programs.

Capacity evaluation, yearend 1969

Manufacturers' yearend evaluation of the adequacy of their plant and equipment facilities, relative to current and prospective sales, indicated a small increase from 3 months earlier in the need for more facilities. Companies owning 46 percent of fixed assets in manufacturing reported that they needed more facilities, as against 44 percent in September and 47 percent in December 1968. Nondurable goods producers accounted for all of the increase both in the fourth quarter and over the year.

The proportion of nondurable goods producers reporting inadequate facilities rose from 48 percent at the end of September to 53 percent at the end of December; the proportion at the end of 1968 was 49 percent. All nondurables industries except paper reported an increase in the fourth quarter, with the largest increase in the petroleum industry. Over the same period, durable goods companies reported a 1 percentage point decline in the proportion of assets considered inadequate. Within the durables group, metal fabricators (producers of machinery, transportation equipment, and fabricated metal products) reported a decline in facility needs while primary metal companies showed a small rise.

Facilities viewed as "about adequate" for 1970 production requirements represented 49 percent of manufacturers' fixed assets as of December 31, down a little from September, but slightly above a year earlier.

Companies reporting plant and equipment in excess of current and near-term needs accounted for only 5 percent of fixed assets at the end of December—a proportion that has been maintained since early 1968. The proportion of excess facilities was higher in durables than in nondurables.

Nonmanufacturing Investment

Public utilities are programing expenditures of $13.7 billion for 1970, an increase of $2.1 billion or 18 percent over 1969. This substantial advance would follow an increase of 14 percent in 1969—a gain which matched the projection made in February last year.

All of the projected increase for 1970 is attributable to electric power companies, whose expenditures are expected to reach $11.2 billion; gas and other utilities are planning a small cutback in capital outlays to $2.6 billion. Both groups are projecting a rising trend in expenditures through the year. Data from *Electrical World* indicate that, while the electric utilities expect to spend more this year for generating and for local distribution

CHART 11

Manufacturers' Evaluation of Existing Capacity*

*Relative to prospective operations during the ensuing 12-month period.

U.S. Department of Commerce, Office of Business Economics 70-3-11

Table 4.—Starts and Carryover of Plant and Equipment Projects, Manufacturing and Public Utilities, 1967–69

[Billions of dollars]

	Starts[1]											Carryover[2]							
	Annual			1968				1969				1968				1969			
	1967	1968	1969	I	II	III	IV	I	II	III	IV	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Manufacturing[3]	26.69	29.64	34.07	6.92	7.13	7.40	*8.19	*8.49	*8.72	*9.06	8.80	19.26	19.41	19.75	*19.87	*21.77	*22.66	*22.57	22.36
Durable goods[3]	12.42	*14.59	16.85	3.39	3.59	3.62	*4.00	*4.19	*4.30	*4.03	4.32	10.33	10.49	10.63	*10.65	*11.38	*11.70	*11.70	11.43
Primary metals	2.81	2.21	2.90	.61	.63	.00	.79	.70	.60	.75	.75	4.23	4.06	4.10	2.97	4.02	3.90	3.86	3.70
Electrical machinery	1.54	1.81	2.80	.42	.53	.33	.53	.61	.68	.75	.77	1.27	1.36	1.28	1.38	1.46	1.64	1.90	2.03
Machinery except electrical	2.08	2.70	3.50	.62	.69	.82	.58	.80	.06	.77	.00	1.08	1.03	.96	1.09	2.16	1.29	1.18	1.18
Transportation equipment[4]	2.24	2.90	2.60	.00	.60	.70	.71	.73	.87	.45	.41	2.31	2.80	2.66	2.70	2.84	3.02	2.06	2.60
Stone, clay, and glass	.90	*1.00	1.08	.22	.36	.26	*.33	*.35	*.23	*.31	.18	.45	.46	.54	*.62	*.72	*.69	*.73	.62
Nondurable goods[3]	14.08	15.05	17.22	3.55	3.60	3.78	4.11	4.30	4.41	4.03	4.48	8.02	8.92	9.12	9.22	10.30	10.96	10.87	10.82
Food including beverage	2.00	2.22	2.97	.51	.61	.64	.66	.60	.02	.60	.77	1.10	1.14	1.07	1.15	1.20	1.48	1.49	1.53
Textile	.53	.49	.49	.10	.15	.10	.16	.15	.10	.14	.14	.22	.23	.20	.30	.30	.33	.30	.27
Paper	1.52	1.42	1.60	.61	.43	.18	.30	.46	.35	.40	.42	1.23	1.23	1.14	1.07	1.21	1.18	*1.22	1.06
Chemical	2.48	2.98	3.62	.70	.80	.54	.04	.88	1.06	1.03	.65	2.27	2.32	2.19	2.37	2.53	2.88	3.15	2.89
Petroleum	5.59	5.57	6.10	1.20	1.17	1.81	1.40	1.06	1.35	1.18	2.00	2.04	2.84	3.42	3.22	3.74	3.79	3.47	3.79
Public utilities	12.60	12.86	15.18	4.11	3.60	1.37	3.76	5.30	2.54	3.60	3.77	15.11	15.49	14.86	15.74	18.68	18.23	18.76	19.38
	Adjusted for seasonal variation																		
Manufacturing[3]				6.00	7.14	8.29	*7.93	*8.42	*8.89	*9.11	8.35	19.60	18.78	19.06	*20.43	*21.54	*22.64	*23.40	23.72
Durable goods[3]				3.23	3.08	4.30	*3.81	*4.04	*4.03	*4.70	3.92	10.05	10.38	11.03	*11.25	*11.42	*12.05	*12.71	12.67
Primary metals				.61	.06	1.31	.65	.73	.69	1.00	.60	4.22	4.07	4.04	4.30	4.10	4.05	4.24	4.08
Electrical machinery				.41	.58	.30	.47	.59	.68	.90	.67	1.32	1.30	1.26	1.27	1.30	1.56	1.95	2.08
Machinery except electrical				.41	.02	.77	.63	.60	1.47	.90	.92	.64	1.12	1.15	1.27	*1.08	1.70	1.74	1.79
Transportation equipment[4]				.60	.60	.62	.81	.50	.73	.67	.47	2.31	2.37	2.56	2.76	2.06	2.02	2.83	2.65
Stone, clay, and glass				.24	.32	.31	*.20	*.40	*.20	*.37	.16	.47	.48	.56	*.63	*.75	*.78	*.70	.70
Nondurable goods[3]				2.87	3.46	3.90	4.15	4.30	4.20	4.32	4.41	8.53	8.43	8.63	9.36	10.12	10.59	10.77	11.05
Food including beverage				.54	.60	.55	.73	.60	.90	.60	.58	1.05	1.11	1.06	1.23	1.23	1.59	1.64	1.65
Textile				.11	.16	.18	.14	.15	.10	.14	.12	.21	.23	.28	.29	.30	.34	.30	.27
Paper				.47	.38	.19	.36	.42	.31	.49	.36	1.18	1.21	1.09	1.11	1.17	1.00	1.16	1.14
Chemical				.70	.84	.63	1.03	.89	.84	1.23	.70	2.24	2.16	2.00	2.44	2.58	2.09	3.13	3.02
Petroleum				1.20	1.16	1.90	1.28	1.76	1.34	1.24	1.58	2.69	2.75	3.33	3.26	3.78	3.77	3.61	3.65
Public utilities				2.85	3.50	2.62	3.56	3.70	3.16	4.71	3.34	14.11	15.46	16.23	16.51	17.33	17.37	19.31	20.20

*Corrected for computational and typographical errors.

1. Starts are estimated by adding changes in carryover to expenditures during the given period.
2. Carryover refers to expenditures yet to be incurred on plant and equipment projects already underway at end of period.
3. Includes data not shown separately.
4. Includes guided missiles and space vehicles.

NOTE.—Details may not add to totals because of rounding.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

Table 5.—Manufacturers' Evaluation of Their Capacity

(Percent distribution of gross capital assets)[1]

	1966	1967				1968				1969			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
More plant and equipment needed:													
All manufacturing	47	45	46	46	43	40	41	41	47	48	43	44	44
Durable goods[2]	49	46	44	46	38	39	41	44	46	40	40	40	39
Primary metals	64	48	42	43	31	35	41	44	41	41	30	31	33
Metal fabricators[3]	51	45	48	40	43	47	44	46	40	48	49	47	43
Nondurable goods[2]	44	45	40	47	49	40	41	45	49	49	48	48	53
Food including beverage	46	43	40	46	42	38	41	49	54	40	43	44	47
Chemical	66	60	70	76	78	67	65	71	68	72	60	71	73
Petroleum	22	27	47	37	30	27	29	32	40	38	41	42	47
About adequate:													
All manufacturing	46	50	50	49	52	55	54	50	48	47	52	51	49
Durable goods[2]	44	48	40	48	55	53	60	48	48	47	53	53	53
Primary metals	32	38	43	42	53	50	44	41	45	44	55	54	52
Metal fabricators[3]	46	40	46	46	54	49	51	50	48	48	46	50	52
Nondurable goods[2]	52	51	51	51	49	48	50	52	48	48	51	49	44
Food including beverage	47	50	54	50	53	57	53	44	41	40	58	53	49
Chemical	31	19	23	23	20	31	33	27	40	25	43	27	28
Petroleum	76	71	63	62	60	72	70	67	59	60	59	57	53
Existing plant and equipment exceeds needs:													
All manufacturing	4	6	5	6	5	5	6	6	6	5	5	6	6
Durable goods[2]	7	7	7	7	7	8	9	6	7	7	7	7	6
Primary metals	14	14	15	15	16	15	16	15	14	15	14	16	15
Metal fabricators[3]	3	3	3	3	3	4	6	4	3	3	3	3	5
Nondurable goods[2]	4	4	3	2	2	3	3	3	3	3	3	3	3
Food including beverage	8	8	6	5	5	5	0	6	5	6	4	3	4
Chemical	1	1	2	2	2	2	2	3	2	3	1	2	1
Petroleum	2	2	1	1	1	1	1	1	1	1	1	1	0

1. According to respondent companies' characterizations of their plant and equipment facilities, taking into account their current and prospective sales for the next 12 months.
2. Includes industries not shown separately.
3. Includes machinery, transportation equipment, and fabricated metals industries.

Sources: U.S. Department of Commerce, Office of Business Economics and the Securities and Exchange Commission.

facilities, the major expansion is in transmission investment, including long distance lines, interconnections between systems, and extra-high-voltage line construction.

Utility companies as a group reported an increase in the amount of funds yet to be expended on investment projects already underway. On a seasonally adjusted basis, carryover at the end of December amounted to $20.2 billion, up $1 billion from the end of September and $3.7 billion from a year earlier. Projects started during the fourth quarter of 1969 totaled $3.9 billion—off 16 percent from the unusually high third quarter rate and equal to the corresponding period a year earlier.

Transportation outlays to rise

Last year was a strong one for investment by railroads, but expenditures by other transportation firms barely exceeded 1968 levels. This year, both railroads and airlines are planning substantial increases in capital outlays, 27 and 16 percent to $2.4 billion and $2.9 billion, respectively. Acquisition of the jumbo jets is initiating a new round of capital spending by the airlines. For the railroads, the increase is centered in expenditure for equipment. It is of interest that the number of freight cars on order at the end of 1969 was almost 50 percent larger than a year earlier—although new orders were being placed at a slightly slower pace in late 1969 than a year earlier. In spite of the substantial expenditures by railroads in recent years, the number of freight cars owned by class I railroads has declined gradually although the aggregate carrying capacity has been rising.

Expenditures for new plant and equipment by other types of transportation companies are now programed at $1.6 billion for 1970, or slightly less than last year's spending. The cutback centers in trucking companies.

Communications firms are scheduling strong investment for 1970. Outlays are expected to reach $9.7 billion, up 16½ percent from 1969. At this time last year, a 15 percent rise for 1969 was projected; actual expenditures turned out to be 22 percent above 1968. Within 1970, expenditures are expected to rise sharply this quarter and more moderately thereafter.

Commercial and other firms—i.e., trade, services, construction, finance, and insurance—posted a moderate rise in expenditures for new plant and equipment in 1969. Companies in the group expect 1970 expenditures to

Table 6.—Expenditures for New Plant and Equipment by U.S. Business,[1] 1968–70

[Billions of dollars]

	Annual			Quarterly, unadjusted											Quarterly, seasonally adjusted annual rates										
				1968				1969				1970			1968				1969				1970		
	1968	1969	1970[2]	I	II	III	IV	I	II	III	IV	I[2]	II[2]	2d half[2]	I	II	III	IV	I	II	III	IV	I[2]	II[2]	2d half[2]
All industries	67.76	75.56	83.56	15.09	16.85	16.79	19.03	16.04	18.81	19.25	21.46	17.76	20.79	45.02	62.07	66.29	67.77	69.06	72.52	73.94	77.84	77.84	80.80	81.78	86.06
Manufacturing industries	28.37	31.48	34.80	6.10	6.99	7.13	8.16	6.58	7.82	8.16	9.12	7.25	8.47	18.08	28.02	27.84	28.89	28.70	29.99	31.55	33.06	32.38	32.97	33.74	36.12
Durable goods	14.12	15.96	17.48	3.08	3.36	3.54	4.16	3.36	3.98	4.03	4.59	3.68	4.33	9.49	14.11	12.51	14.47	14.39	15.47	15.98	16.57	15.88	16.92	17.39	18.62
Primary metals[3]	2.36	3.23	3.52	.70	.79	.88	.99	.71	.83	.91	.90	.70	.92	1.90	3.31	3.21	3.60	3.39	3.37	3.31	3.20	3.68	3.30	3.77	3.62
Blast furnace, steel works	1.30	1.83	1.82	.46	.46	.52	.62	.41	.47	.46	.50	.38	.50	.96	1.86	1.87	2.00	2.07	1.08	1.00	1.90	1.70	1.75	2.08	1.74
Nonferrous	1.06	1.40	1.42	.24	.26	.29	.31	.28	.37	.39	.32	.27	.36	.90	1.06	1.06	1.14	1.09	1.04	1.19	1.11	1.13	1.22	1.42	1.60
Electrical machinery	1.78	2.03	2.30	.37	.44	.43	.54	.39	.50	.49	.65	.44	.60	1.26	1.76	1.78	1.70	1.78	1.96	2.04	2.02	2.10	2.07	2.28	2.40
Machinery, except electrical	2.94	3.44	4.07	.69	.66	.67	.95	.72	.84	.86	1.01	.80	.97	2.31	2.96	2.66	2.87	3.00	3.22	3.34	3.66	3.50	3.95	3.84	4.21
Transportation equipment[3]	2.40	2.70	2.50	.54	.61	.56	.69	.60	.68	.77	.71	.48	.63	1.36	2.64	2.40	2.54	2.44	2.76	2.73	3.00	2.60	2.74	2.48	2.62
Motor vehicles	1.38	1.46	1.65	.22	.34	.35	.38	.34	.40	.40	.44	.37	.30	.80	1.49	1.30	1.35	1.33	1.57	1.65	1.78	1.67	1.71	1.51	1.61
Aircraft[4]	.86	.83	.72	.17	.21	.23	.25	.19	.22	.23	.19	.14	.18	.40	.82	.85	.96	.86	.88	.82	.92	.64	.67	.72	.78
Stone, clay and glass	.89	1.07	1.22	.19	.23	.20	.28	.23	.28	.27	.30	.26	.32	.64	.91	.91	.86	.90	1.02	1.11	1.14	1.01	1.12	1.20	1.22
Other durables[5]	2.82	3.44	3.94	.60	.60	.70	.85	.71	.88	.84	1.02	.82	.93	2.19	2.73	2.64	2.92	2.96	3.24	3.40	3.60	3.45	3.73	3.73	4.13
Nondurable goods	14.25	15.72	17.19	3.09	3.53	3.59	3.94	3.22	3.84	4.12	4.53	3.56	4.14	9.49	13.91	14.33	14.40	14.91	14.53	15.16	16.62	16.50	16.05	16.34	18.11
Food including beverage	2.21	2.60	2.80	.44	.57	.61	.57	.64	.61	.68	.73	.58	.65	1.60	2.04	2.14	2.40	2.33	2.45	2.38	2.08	2.86	2.62	2.42	3.25
Textile	.63	.63	.67	.13	.13	.13	.14	.19	.16	.17	.16	.14	.16	.37	.56	.62	.63	.63	.69	.63	.60	.61	.62	.61	.72
Paper	1.32	1.58	1.66	.27	.36	.32	.37	.31	.40	.41	.46	.34	.30	.92	1.24	1.49	1.26	1.37	1.42	1.58	1.62	1.70	1.57	1.53	1.75
Chemical	2.83	3.10	3.72	.55	.76	.60	.77	.57	.78	.76	.91	.78	.93	2.00	2.81	2.93	2.78	2.72	3.08	2.96	3.19	3.22	3.51	3.61	3.88
Petroleum	5.25	5.63	5.97	1.15	1.26	1.38	1.50	1.12	1.32	1.40	1.68	1.23	1.46	3.29	5.17	5.10	5.32	5.32	5.04	5.41	5.98	6.08	5.80	6.00	6.18
Rubber	.98	1.00	.99	.18	.22	.26	.31	.24	.25	.28	.28	.24	.24	.52	.82	.88	1.06	1.11	1.07	1.12	1.13	1.04	1.07	.94	.96
Other nondurables[6]	1.13	1.10	1.30	.25	.32	.27	.29	.24	.27	.29	.30	.29	.31	.73	1.16	1.30	1.06	1.09	.94	1.11	1.24	1.00	1.16	1.26	1.37
Nonmanufacturing industries	39.40	43.88	48.77	8.99	9.86	9.66	10.93	9.45	10.99	11.10	12.34	10.51	12.32	25.94	40.07	38.45	38.95	40.25	42.53	42.78	44.58	45.46	47.82	48.04	49.93
Mining	1.63	1.86	1.94	.41	.43	.39	.40	.42	.49	.47	.49	.41	.47	1.06	1.50	1.66	1.67	1.62	1.80	1.88	1.89	1.85	1.77	1.83	2.07
Railroad	1.45	1.86	2.35	.39	.37	.31	.38	.38	.44	.49	.55	.45	.54	1.37	1.58	1.49	1.29	1.34	1.68	1.76	2.06	1.94	1.94	2.19	2.63
Air transportation	2.56	2.51	2.91	.63	.58	.64	.66	.58	.66	.63	.64	.49	.60	1.41	2.88	1.96	2.69	2.67	2.89	2.22	2.53	2.50	2.95	2.78	3.02
Other transportation	1.69	1.65	1.64	.36	.42	.41	.47	.38	.46	.40	.44	.37	.40	.88	1.43	1.49	1.65	1.75	1.87	1.66	1.65	1.63	1.79	1.42	1.70
Public utilities	10.20	11.61	13.73	2.07	2.62	2.61	2.90	2.36	2.91	3.02	3.23	2.67	3.52	7.55	10.09	10.24	9.82	10.63	11.52	11.68	11.48	11.80	12.86	13.74	14.08
Electric	7.66	8.94	11.15	1.09	1.94	1.87	2.10	1.88	2.25	2.23	2.61	2.28	2.82	6.06	7.76	7.84	7.50	7.74	8.02	8.71	8.69	9.30	10.46	11.07	11.47
Gas and other	2.54	2.67	2.65	.28	.68	.74	.71	.48	.77	.80	.63	.39	.70	1.50	2.32	2.80	2.32	2.80	2.90	2.97	2.80	2.44	2.34	2.68	2.61
Communication	6.83	8.30	9.48	1.69	1.62	1.63	2.60	1.81	2.09	2.11	2.19	6.93	6.60	13.66	6.53	6.42	6.97	7.34	7.74	7.92	8.71	8.76	25.77	26.16	26.43
Commercial and other[7]	15.14	16.05	16.59	3.60	3.81	3.63	4.13	3.41	3.97	4.07	4.60				15.37	15.17	15.22	14.91	15.90	15.67	16.78	16.87			

1. Excludes agricultural business; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.
2. Estimates are based on expected capital expenditures reported by business in late January and February 1970. The estimates for the first quarter, second quarter and second half of 1970 have been corrected for systematic biases, as described in the technical notes of the February 1970 SURVEY.
3. Includes data not shown separately.
4. Includes guided missiles and space vehicles.
5. Includes fabricated metal, lumber, furniture, instrument, ordnance and miscellaneous except guided missiles and space vehicles.
6. Includes apparel, tobacco, leather and printing-publishing.
7. Includes trade, service, construction, finance and insurance.

NOTE.—Details may not add to total because of rounding. Data for earlier years 1947 through 1969 have been revised and were published in the January and February 1970 issues of the SURVEY OF CURRENT BUSINESS.

Sources: U.S. Department of Commerce, Office of Business Economics, and the Securities and Exchange Commission.

reach $16.5 billion, a 3 percent increase over 1969. Within the group both wholesalers and service firms plan cutbacks in spending from 1969.

Sales Expectations

Manufacturing, trade, and utilities companies are expecting their sales to continue to rise in 1970. In manufacturing, the expected increase of 6½ percent compares with an 8½ percent advance recorded for 1969. At the time of the comparable survey last year, manufacturers expected an 8 percent sales increase for 1969. Durable and nondurable goods manufacturing companies are looking forward to sales advances of 7 and 6 percent respectively—in both cases smaller gains than experienced in 1969. The same general pattern holds for the component industries, with the exception of textiles and chemicals, where sales are expected to show a stronger expansion in 1970 than in 1969.

Retailers are more optimistic about 1970 sales—looking to an 8 percent rise this year against a 4 percent increase in 1969. Wholesalers expect a 5 percent sales advance this year, which would be smaller than last year's. Utilities are thinking in terms of an almost 8 percent revenue gain for 1970; actual revenues in 1969 rose by 8 percent as compared with a rise of 7 percent expected a year ago.

Manufacturers' Inventory and Sales Expectations

Continued from Page 13

what smaller additions in the first half of 1970.

Nondurable goods producers expect little change in inventories this quarter, and an addition of $600 million in the following 3 months. The expected second quarter accumulation exceeds those of 1969, which ranged from $200 million to $400 million per quarter. Expectations of second quarter additions are widespread among the nondurables industries.

If expectations are realized, durable goods producers' stocks at mid-year would be equal to 2.10 months of sales at the average second quarter rate, up from 2.03 a year earlier and 2.05 at the close of 1969. The stock-sales ratio for nondurable goods producers, which fell in 1968 and 1969, would be maintained through mid-1970 at the yearend 1969 figure of 1.29.

Inventory condition, December 31, 1969

The percentage of producers' inventories classified as "high" has been rising since the end of 1968 with the increase primarily in the durables group. Durable goods producers holding 27 percent of that group's stocks judged their yearend 1969 inventories to be "high." Although that figure was up 8 percentage points from a year earlier, the ratio rose only one point during the fourth quarter of 1969 following a 4 point rise in the third. Producers of primary metal reported 14 percent of their December 31 inventories "high"; fabricated metals, 44 percent; machinery, 31 percent; transportation equipment, 11 percent. In 1969 the "high" ratio increased for all these groups except transportation equipment—where an increase in the percent "high" in the automotive industry offset a decline in aircraft.

Nondurable goods companies with 18 percent of that group's stocks considered their December 31 holdings "high." This proportion was one percentage point higher than in September and 2 points higher than at yearend 1968.

Companies holding about 70 percent of durable goods stocks and 80 percent of nondurable goods stocks classified their yearend 1969 inventories as "about right." The "low" rate continued at 1 to 2 percent throughout 1969.

Inventory imbalance, December 31, 1969

Manufacturers who classified their inventories "high" or "low" were asked to specify the amount by which their stocks were out of balance.

The net excess on December 31, 1969 (obtained by netting deficiencies against excesses) was $2.3 billion, less than 2½ percent of total inventories. This net imbalance is moderate but has risen from $1.5 billion, or 1⅔ percent of total holdings, a year earlier.

Most of the surplus inventories were held by durable goods producers. They reported net excess holdings of $1.7 billion at yearend, up from $1.0 billion on December 31, 1968. The excess holdings of nondurables goods producers increased $100 million during 1969 to $600 million at yearend.

The average excess for companies that judged their stocks "high" was about 11 percent on December 31; the average deficiency for the smaller number of companies judging their stocks "low," 12 percent.